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MEMORANDUM FOR: Mr. Anthony Jurich
Special Assistant for Textiles
Council on International
Economic Policy

STAT

SUBJECT : East Asian Textile Trade in 1973

In response to conversations with members of your staff, we are sending the attached information on East Asian textile trade for use during upcoming negotiations with East Asian countries. The data, including both [illegible] Hong Kong, Taiwan, and South Korea, and essentially represents an update of information we provided several months ago. All the information may be considered unclassified. If there is any further information on this or related matters, we would be glad to be of assistance.

[redacted] STAT

MAURICE C. ERNST
Director
Economic Research

Attachment:
As stated

[redacted] STAT

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# EAST ASIAN TEXTILE EXPORTS IN 1973

## Taiwan, South Korea, and Hong Kong

Despite restraints on textile shipments to the US market, Taiwan, South Korea, and Hong Kong continued to expand their overall textile exports at a rapid pace in 1973. Taiwan, and South Korea, whose sales each exceeded $1 billion for the first time last year, recorded growth rates of 50% and 78% respectively. South Korea's gains were particularly impressive in view of the fact that its sales to the United States, normally about two-fifths of South Korea's total textile exports, were virtually unchanged from the 1972 level. Hong Kong's exports totalled $1.8 billion, up one-third from 1972.

The key to this outstanding record was East Asia's success in gaining access to other markets. The three countries began a serious marketing effort in Europe after restraint agreements were negotiated with the United States in late 1971. As a result, sales jumped sharply in 1972 and again last year. In 1973, Taiwan, South Korea, and Hong Kong together sold more than $1 billion worth of textile products to Western Europe, up some $300 million from the previous year. South Korea about doubled its sales there while Taiwan and Hong Kong each recorded gains of about 70%.

Another key growth market for these countries has been Japan. In the case of South Korea, exports to Japan more than tripled to $550 million in 1973, and now exceed sales to the United States. Much of the increase reflects sales of raw silk in addition to intermediate clothing products such as pockets and collars used by Japan's industry in making finished items. Taiwan and Hong Kong, on the other hand, are boosting their exports of finished clothing items to Japan. Each about tripled their sales to Japan last year. Taiwan and Hong Kong also substantially increased the value of sales to the United States despite restraints on sales volume. The value of South Korean sales to the United States remained unchanged.

Japan

The most dramatic change in East Asian textile trade has been the rapid growth of Japan's imports of manufactured textile products. During January-November 1973, Japanese textile imports amounted to about $1.4 billion, roughly a 300% increase from the corresponding 1972 period. All types of textile product imports registered a sharp increase. Apparel, yarn, and thread imports more than tripled in value and imports of fabrics and non-clothing products grew nearly as fast. As a result of these increases, Japan's per capita textile imports almost match the US level.

Several factors have been responsible for the rapid growth in imports. The synthetic fiber industry, operating at full capacity, was unable to keep up with domestic demand. Supply problems were intensified when shortages of petrochemical feedstocks occurred following the interruption in normal oil deliveries to Japan in November. Japan's weakening international competitive position also has been a factor in the import growth. Wage rates in the Japanese textile industry have increased sharply in recent years and are now higher than in many Western European countries. Currency realignments have further eroded Japan's ability to compete in both domestic and foreign markets for inexpensive textile products, which are being supplied by Taiwan, South Korea, and Hong Kong. Developed countries have also increased their sales to Japan in response to growing demand for higher quality, high fashion products. For example, imports from the United States doubled to $100 million during January-November 1973, and purchases from Western Europe were up 145% to $340 million during the same period.

While imports soared, Japan's exports of textile products have done poorly. Sales in 1973 totalled $2.7 billion, only 8% higher than the previous year. In volume terms, overseas shipments probably declined by about 10% with the largest drop coming in clothing. The volume of clothing exports may have declined by as much as 25%. Sales in the US market fell especially fast -- indeed, the Japanese have been meeting only about two-thirds of their overall US quota for man-made fiber textiles and an even smaller share for cottons and woolens.

Prospects

Taiwan, South Korea, and Hong Kong will face a sharp decline in the growth of textile exports in 1974. Western European countries will likely press for restraints in accordance with the new Multifiber Textile Agreement (MFA) which could substantially slow the growth in exports to those countries. Moreover, the three smaller countries will face increasing resistance in the Japanese market. Japan's politically powerful textile industry already is complaining about the flood of imports and if necessary Tokyo will impose formal or informal controls on imports.

While Japanese firms are pressing to restrain imports, they anticipate a substantial boost in the value of exports during 1974. Supply problems will ease considerably this year as domestic demand slows and more petrochemical feed-stocks become available. Some slowdown in domestic demand is already underway -- finished product inventories are increasing and prices for textile products have begun to fall. With domestic demand slipping, the textile industry will pay more attention to overseas markets, including the US market. The Japanese can boost sales here sharply compared with last year when their textile quotas were only partly filled. As in the past, the industry may cut prices to help improve its competitive position abroad.

Along with a new export push, Japanese firms can be expected to boost their investment in overseas textile industries. Japan already has textile plants throughout Southeast Asia and Latin America, as well as in the United States. At least 8 Japanese-owned textile plants are either planned, or under construction or in operation in the United States.

JAPANESE TEXTILE EXPORTS
(million US$)

| | 1972 | 1973[a/] | % Change |
|---|---|---|---|
| Total | 2,499.5 | 2,700.0 | 8 |
| of which: | | | |
| United States | 539.3 | 460.0 | -15 |
| Western Europe | 117.7 | 95.0 | -19 |
| South Korea | 126.2 | 280.0 | 122 |
| Taiwan | 76.6 | 122.0 | 59 |
| Hong Kong | 260.0 | 270.0 | 4 |
| Other | 1,379.7 | 1,473.0 | 7 |

a/ Estimates based on 11 month trade data

TAIWAN TEXTILE EXPORTS
(million US$)

| | 1972 | 1973[a] | % Change |
|---|---|---|---|
| Total | 814.2 | 1,224.0 | 50 |
| Japan | 56.6 | 191.0 | 237 |
| United States | 286.9 | 336.0 | 17 |
| Western Europe | 116.1 | 200.0 | 72 |
| Hong Kong | 111.2 | 146.0 | 31 |
| Other | 243.4 | 351.0 | 44 |

a/ Estimates based on 11 month trade data

HONG KONG TEXTILE EXPORTS
(million US$)

| | 1972 | 1973a/ | % Change |
|---|---|---|---|
| Total | 1,363.8 | 1,829.0 | 34 |
| Japan | 17.0 | 53.0 | 212 |
| United States | 446.0 | 522.0 | 17 |
| Western Europe | 505.2 | 657.0 | 30 |
| Taiwan | 14.6 | 25.0 | 71 |
| Other | 381.0 | 572.0 | 50 |

a/ Estimates based on 10 month trade data

SOUTH KOREA TEXTILE EXPORTS a/
(million US$)

| | 1972 | 1973 b/ | % Change |
|---|---|---|---|
| Total | 672.8 | 1,200.0 | 78 |
| Japan | 181.7 | 550.0 | 203 |
| United States | 252.5 | 250.0 | -- |
| Western Europe | 79.4 | 160.0 | 102 |
| Other | 159.2 | 240.0 | 51 |

a/ Including raw silk

b/ Estimates based on 9 month trade data

COMPOSITION OF JAPANESE TEXTILE TRADE

(million US$)

| | IMPORTS | | |
|---|---|---|---|
| | Jan-Nov 1972 | Jan-Nov 1973 | % Change |
| Yarn and thread | 66 | 205 | 211 |
| Fabrics | 214 | 634 | 196 |
| Apparel | 136 | 479 | 252 |
| Made-up goods | 37 | 108 | 192 |
| Total | 453 | 1,426 | 215 |

| | EXPORTS | | |
|---|---|---|---|
| | Jan-Nov 1972 | Jan-Nov 1973 | % Change |
| Yarn and thread | 450 | 510 | 13 |
| Fabrics | 1,253 | 1,376 | 10 |
| Apparel | 345 | 301 | -13 |
| Made-up goods | 162 | 201 | 24 |
| Total | 2,210 | 2,388 | 8 |

COMPOSITION OF SOUTH KOREAN TEXTILE TRADE

(million US$)

| | IMPORTS | | |
|---|---|---|---|
| | Jan-Sep 1972 | Jan-Sep 1973 | % Change |
| Yarn and thread | 27 | 80 | 196 |
| Fabrics | 61 | 122 | 100 |
| Made-up goods | 2 | 2 | --- |
| Apparel | 16 | 8 | -50 |
| Total | 106 | 212 | 100 |

| | EXPORTS | | |
|---|---|---|---|
| | Jan-Sep 1972 | Jan-Sep 1973 | % Change |
| Yarn and thread | 31 | 56 | 81 |
| Fabrics | 75 | 202 | 169 |
| Made-up goods | 14 | 53 | 279 |
| Apparel | 311 | 467 | 50 |
| Total | 431 | 778 | 81 |

COMPOSITION OF TAIWAN'S TEXTILE TRADE

(million US$)

| | IMPORTS | | |
|---|---|---|---|
| | Jan-Dec 1972 | Jan-Dec 1973[a/] | % Change |
| Yarn and thread | 45 | 95 | 111 |
| Fabrics | 51 | 78 | 53 |
| Made-up goods | 3 | 4 | 33 |
| Apparel | 2 | 8 | 300 |
| Total | 101 | 185 | 83 |

| | EXPORTS | | |
|---|---|---|---|
| | Jan-Dec 1972 | Jan-Dec 1973[a/] | % Change |
| Yarn and thread | 139 | 160 | 15 |
| Fabrics | 191 | 290 | 52 |
| Made-up goods | 22 | 45 | 105 |
| Apparel | 462 | 729 | 58 |
| Total | 814 | 1,224 | 50 |

a/ Estimates based on 11 month trade data

COMPOSITION OF HONG KONG'S TEXTILE TRADE

(million US$)

| | IMPORTS | | |
|---|---|---|---|
| | Jan-Oct 1972 | Jan-Oct 1973 | % Change |
| Yarn and thread | 148 | 246 | 66 |
| Fabrics | 301 | 391 | 30 |
| Made-up goods | 25 | 46 | 84 |
| Apparel | 72 | 94 | 31 |
| Total | 546 | 777 | 42 |

| | EXPORTS | | |
|---|---|---|---|
| | Jan-Oct 1972 | Jan-Oct 1973 | % Change |
| Yarn and thread | [ | [ | [ |
| Fabrics | [227 | [348 | [53 |
| Made-up goods | [ | [ | [ |
| Apparel | 922 | 1,194 | 30 |
| Total | 1,149 | 1,542 | 34 |